App. F. IX-4

P

1938-9
(C.S)

File No. 28-38

Serial Nos. 1-3.

Previous References
I.T 12-26 (12-14, 17-18)
I.T 6-29 (1-2)
C.S 36-26
I.T 13-29 (1-29)
Letter References (1-3)

PRESERVED

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. Nil.

Part B for May 39

SUBJECT.

Exemption of Cooperative societies from payment of income and super taxes on their earnings from investments

V 9952 of 22-5-39

Secy. C.S

WD 0296—GPB—22,500—13-8-37

States that the Cannot be granted

Serial No.

Extract of the orders of the Hon'ble Member of Council in-charge File 11-36 Dis No 4435/36 37 on Chapter VII of the Report of the Committee on Cooperation

---

1) Exemption of Cooperative Societies from payment of income tax and super tax on their earnings from investment

---

This may be referred to the Registrar for detailed examination.

Sd/- N.M on the draft G.O above

2) Draft letter to the Registrar is laid for ahead

Sd/- 16/9/38

3) Issue.

Sd/- 16-9.

To. The Registrar of C.S.

D 3061. 26-9-38

Requests him to examine the question in detail and to forward suitable recommendations

2 Letter No 10206 dated 23/2/39 from the Registrar of C.S. furnishing his remarks on the question and requesting that the incomes derived from the interest on investment by Cooperative Societies be exempted from

NOTE—Contn. Sheet.

4735 3093/37

28

Fife No. of 1938

General and Revenue Secretariat

Serial No.

in Cuncta.

4) The Registrar states that the income realised during 1936-37 and 1937-38 on the existing conditions is only Rs 1398-15-0 and 1439-5-0 respectively and requests that the Co-operative Societies be exempted from the payment of income tax. The practice in regard to the levy of income tax from Co-operative Societies seems to be on the same lines of British India. The file may perhaps be sent to the I.T. Section for remarks in the proposal of the Registrar and to intimate whether there has since been any change in the practice in British India. Thereafter

A.

5) A may be done.

Secy: L. Sly

6) Submit Financial Branch with compliments

7)

8) If approved, the Comr of I.T. may be consulted. There is no information here regarding the practice in British India

9) The Comr of I.T. may be consulted un-officially.

Secy. L. Sly)

GEN. & REV. SECRETARIAT 3093 FINANCIAL BRANCH

4755 (3)

General and Revenue Secretariat

File No. of 193 . [App. F. III—2

W.O 238-38 dated 9.3.39

Serial No.

10) Forwarding with compliments the Commissioner of Income-tax, Mysore, memorandum furnishing remarks with reference to the position in British India.

Secretary to Govt. L.S.G. 8.3.39

OFFICE OF THE COMMISSIONER OF INCOME-TAX, MYSORE.
1939
Gl. No. 1750
C. No. 254/38-39
Encls. 1 file

Memo No. D.I.M's. 49/38-39.
Encl: Nil

Returned, with compliments.

The practice in regard to the levy of incometax on Co-operative Societies in Mysore is the same as in British India. The profits of a Co-operative Society are exempted from taxation in both places and the exemption extends both to incometax and supertax. The profits to which the exemption applies do not include any income, profits or gains from investments in (a) Securities of the nature referred to in Section 8, or (b) property of the nature referred to in Section 9 of the Incometax Act, (c) dividends or the "other sources" referred to in Section 12. Reference is invited in this connection to pages 172 and 173 of the Indian Incometax Manual (Seventh Edition) and to pages 87 and 88 of the Mysore Incometax Manual (Second Edition).

Para 161 of the Manual pp VI and 190.

NOTE—Contn. Sheet.

A

WD 0544—GPB—30,000—2-9-83

L75 3378-7

File No. of 193 . General and Revenue Secretariat

A Co-operative Society is assessed to tax as an association of individuals and the same rate as is applied to an individual is applied to it. The dividends or other payments received by the members of any such Society on account of profits are also exempted from tax.

BANGALORE,
20th March 1939.

H. Damodaran.
COMMISSIONER OF INCOME-TAX.

To--The Secretary to Government,
L.S.G. Department.

GEN. & REVENUE SECRETARIAT. 21 MAR 1939 DEVELOPMENT BRANCH.

Refer para 4

The case may be further dealt with in the Coop. Societies Section in the light of the above remarks of the Commr of I.T. As regards ~~the merits of the~~ request now made by the Registrar, the question may in the first instance be noted upon by the above section

GEN. & REV. SECRETARIAT. 27 MAR 1939 3378 BRANCH.

GEN. & REVENUE SECRETARIAT. 24 MAR 1939 DEVELOPMENT BRANCH.

G. R. S. Library to kindly purchase a copy of the Income Income Tax Manual (Seventh Edition) for reference

Seventh edition Not available

4755

General and Revenue Secretariat | 65 File No. 28 of 193 8 | [App. F. III—2

Serial No.

A copy of the Sixth Edition of the Income-tax Manual is obtained from the G.R.S. Library & put up herewith with the reference flagged A in the volume (Page 161-62). As the recommendation of the Resident does not entail heavy loss to the Department it is for Consideration whether the exemption sought for may not be granted irrespective of the practice in British India. Subs to orders

19/4/39 Secy: L.S.G.

M.

The recommendation since appears may be sanctioned for a period three years as the loss to Government of income tax will be only about 1500/-

21/4/39

21/4

RC Frey)
MC

Exemption from payment of taxes should not be granted unless there are very strong grounds of public and financial policy and unless a particular organisation would, but for this exemption, not be in a position to survive the inroad upon its income. A mere statement that the levy of a tax would ~~produce~~ reduce

SECY. LOCAL SELF GOVT. 20 APR. 1939 GOVT. OF MYSORE.

SECRETARIAL U.O.No.Fi. 3453 21. APR. 1 BANGAL

NOTE—Contn. Sheet.

WD 0544—GPB—30,000—2-9-38

3453
6

47-5-1

LS File No. 28 of 193 | General and Revenue Secretariat

TYPING SECTION
18 MAY 1939
G. & R. SECTT.

but a small income is no justification whatever for foregoing a legitimate Government revenue that is borne by all classes of organisations and individuals. The practice in Mysore and in British India has been uniform in this direction and the proposed exemption, as suggested by the Registrar of Co-operative Societies, would produce a new kind of distinction which would be quite unwelcome at a time when there is need to guarantee here all that obtains in British India, in connection with the Retrocession. The societies are enjoying several other concessions and I do not think -- either on grounds of general principle or on individual merits of the case -- the recommendation of the Registrar is acceptable.

ASD 9.5.39

SECY. LOCAL SELF GOVT.
11. MAY 1939
GOVT. OF MYSORE.

11.5.39

11 member) I agree 11/5/39

A 883
11-5-39

12.5

13/5

13/5/39

Draft reply submitted
13/5/39

For approval
Secy: L.S.G.S.

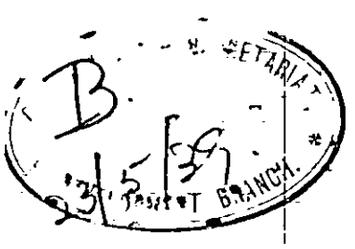
SECY. LOCAL SELF GOVT.
15. MAY 1939
GOVT OF MYSORE.

15/5

17.5.39

7

Serial No.	
3	No D9952 of 22.5.39 from the Regr C5 states that the exemption proposed cannot be granted.



NOTE—Contn. Sheet.

WD 0544—GPB—30,000—2-9-38

Appendix F G—1]

8

SUBJECT.....

.....

.....

Section 65

File No. 29-38

Serial No. 1

Diary No. of letter replied to .....

No. Lo 3061

To The Registrar q/Cs.

General and Revenue Secretariat

( )

the *193* .

Sir

Date of issue 2-6-938

I am directed to invite kind reference to Page 125 of the Report of the Committee on Cooperation in Mysore ~~[illegible]~~ and also to your opinion ~~[illegible]~~ letter No 6724 dated the 16th Feb 1937 in regard to the exemption of Cooperative Societies from payment of income and Labour taxes on their earnings from investments and to request you to kindly examine the question in detail and to forward suitable recommendations for the orders of Govt

Signed by .....

Yours Obdt

List of enclosures.....

Copied by .....

Examined by.....

WD 0278—GPB—30,000—4-3-38

I have etc

16-6

Secy to Govt

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE

General and Revenue Secretariat

No. ಎಲ್.ಜಿ.ಡಿ 61/ ಸಿ.ಜಿ-2ಕ್ಷ-38-1 *Dated, Bangalore,* 26th September 1938.

From :

The Secretary to the Government of His Highness the Maharaja of Mysore,
Local Self-Government Department.

To

The Registrar of Co-operative Societies
in Mysore, Bangalore.

Sir,

I am directed to invite kind reference to page 125 of the Report of the Committee on Co-operation in Mysore and also to your opinion forwarded with your letter No.6724 dated the 16th February 1937 in regard to the exemption of Co-operative Societies from payment of income and super taxes on their earnings from investments and to request you to kindly examine the question in detail and to forward suitable recommendations for the orders of Government.

I have the honour to be,
Sir,
Your most obedient servant,

Secretary to Government,
Local Self-Government Department.

jgn/2.

C.S. 28-38-

GOVERNMENT OF MYSORE.

10

No. 4844 C.S.

CS

DEPARTMENT OF CO-OPERATION.

Telegraphic Address: "CO-OPERT" Bangalore

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE.

Dated Bangalore, 19th October 1938.

FROM

M. ABDUL HUKH, ESQ., B.A.,
Registrar of Co-operative Societies in Mysore,
Bangalore.

GEN. & REVENUE SECRETARIAT. 2180 [illegible] 1938 DEVELOPMENT BRANCH.

To

P.H.Krishna Rao, Esq., M.A.,
Secretary to the Government of Mysore,
Local Self-Government Department, Bangalore.

Sir,

With reference to your letter No.D.3061/C.S.28-38-1 dated 26th September 1938, asking me to examine in detail, the question relating to the exemption of Co-operative Societies from payment of income and supertax, on their earnings from investments, I have the honour to state, that I have called for information from the societies, regarding the tax paid by them on their investments, and shall submit my recommendations in the matter in due course.

I have the honour to be,
Sir,
Your most obedient servant,

Registrar.

L.S.19/10

GEN. & REVENUE SECRETARIAT. [illegible] DEVELOPMENT BRANCH.

GOVERNMENT OF MYSORE. C.S. 28-38—11

No. 5785 C.S

Telegraphic Address: "CO-OPERT" Bangalore

DEPARTMENT OF CO-OPERATION.

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE,

Dated Bangalore, 7th November 193 8.

FROM:-

M. ABDUL HUKH, ESQ., B.A.,
Registrar of Co-operative Societies in Mysore,
Bangalore.

REVENUE & REVENUE SECRETARIAT. 2507 CO-OPER BRANCH.

TO:

P.H. Krishna Rao, Esq., M.A.,
Secretary to Government, L.S.G. Department,
Bangalore.

Sir,

With reference to your letter No.D.3061/C.S.28-38-1 dated 26th September 1938, calling for proposals in respect of exempting co-operative societies from payment of income and super taxes on their earnings from investments, I have the honour to state that information regarding the taxes paid by the societies during the last three years has been called for and on receipt of the same definite recommendations will be submitted to Government in the matter.

I have the honor to be,
Sir,
Your most obedient servant,

P.A. to Registrar
for Registrar (absent from Head-Quarters on tour)

C.S. 28-38-2

GOVERNMENT OF MYSORE.

No. ..1.0.2.0.6..... C. S.

DEPARTMENT OF CO-OPERATION.

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE.

Telegraphic Address: "CO-OPERT" Bangalore

Dated Bangalore, 22nd February 1939.
23rd

4755

FROM

M. ABDUL HUKH, ESQ., B.A.,
Registrar of Co-operative Societies in Mysore,
BANGALORE.

To

GEN. & REVENUE SECRETARIAT. 24 FEB. 1939 DEVELOPMENT BRANCH

P.H.Krishna Rao, Esq., M.A.,
Secretary to the Government of
His Highness the Maharaja of Mysore,
Local Self Government Department, Bangalore.

24/2/39

Sir,

Subject:- Exemption of Co-operative Societies from the payment of Income-tax on their earnings from investments.

With reference to correspondence ending with your letter No. D.7467/C.S. 28-38-R dated 11th/14th February 1939 on the above subject, I have the honour to state as follows:-

1. It is generally believed that co-operative Institutions enjoy exemption from payment of income-tax, Government have in their notification No.Fl.5365/I.T. 12-26-17 dated 4th January 1928, been pleased to direct that the following classes of income shall be exempt from the tax payable under the Mysore Income Tax Act of 1923.

"The profits of any co-operative society for the time being registered under the Mysore Co-operative Societies Act VII of 1918 or the dividends or other payments received by the members of any such society on account of such profits"

2. The Income tax authorities classify all items of revenue of a co-operative institution, other than interest earned on loans to members, and inclusive of interest on investments in Government securities etc., which are not tax free, under the head "other sources" and levy tax on such income. Societies are bound to keep a specified portion of their moneys in Banks or invest them in Government securities under the Co-operative Societies Act and Rules thereunder for purposes of fluid resources and as reserve fund investments and it is represented that inclusion of the interest earned from such

13

investments under "taxable income" has hit them very hard.

3. Co-operative Institutions have come into existence with the main idea of encouraging thrift and providence among the members and for achieving this object, various devices such as collecting share capital in small monthly instalments, institution of the scheme of recurring deposits, commonly known as provident fund bonds, and thrift certificates and opening of fixed savings and current deposit accounts have been adopted. No society having the above objects in view can afford to refuse to accept the savings of its members, as deposit to be returned when there is a demand from the parties concerned. If it should refuse to accept, it will be belieing its very existence. Another object of a society is the grant of credit to its members at resonable rates of interest in times of need. It follows therefore that all the money collected by the society cannot be loaned out to its members immediately or used in the business fully, immediately ~~ex~~ it is received in the society nor can it obtain all the funds required for granting credit to the members just when the loans are applied for and sanctioned. In the circumstances, the society has to keep the funds received less the amount used for issuing loans or for other purposes of the society, either on hand or in approved banks or securities. Having undertaken to pay interest on the deposits received, it is needless to say that it is not business-like to keep the idle money on hand without earning any interest and, therefore, such surplus funds have to be invested outside in banks and securities. Law also requires societies to keep their reserve funds outside their current transactions and to maintain adequate fluid resources. It therefore stands to reason that the income received by socities from such investments ~~which by societies from such investments,~~ which in law they are bound to make, should be excluded from the taxable income.

4. The next point for consideration is how far such a concession if granted will affect the finances of the State. From the statistics obtained by me from the several districts, it is seen that there are only about 21 societies in the State which are taxed and that the income-tax realised during the last two years 1936-37 and 1937-38 aggregated Rs. 1398-15-0 and 1437-5-0 respectively. Hence it is clear that by liberalising the concession, there will not be any substantial reduction or depletion

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE.

depletion in the revenues of the State.

5 In the light of the foregoing, I recommend that, as suggested by the Chandrasekhara Iyer Committee on Co-operation in Mysore, Government may be pleased to direct that the income or profits of societies in respect of their investments in banks and securities, for the purpose of their fluid resources and as reserve fund investments, be also exempted from the payment of income-tax and super-tax.

I have the honour to be,

Sir,

Your most obedient servant,

Registrar.

Appendix F G—1]

15

SUBJECT.....

.....

.....

Section b/

File No. 28-38

Serial No. 3

Diary No. of letter replied to .....

No. D 9952

To The Registrar b/.

General and Revenue Secretariat

( )

the *193* .

Sir,

Date of issue 22.5.35

Adverting to the Correspondence ending with your letter No 10206 dated 28/2/29 on the exemption of Corporation profits from the assessment of income tax on earnings from investments. I am directed to state Govt Circular that it is now desired to depart from the practice in British India in this matter and that the exemption of profits cannot be granted

Signed by Mr Krishnaswamy

List of enclosures.....

Copied by.....

Examined by.....

Thanks for 17/5

Secy. to Govt

17/5

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE

General and Revenue Secretariat

Dated, Bangalore, 18th May 1939.

No. D 9952/C&S 28-38-3 22

From

The Secretary to the Government of His Highness the Maharaja of Mysore
Local Self-Government Department.

To

The Registrar of Co-operative Societies in Mysore
Bangalore.

Sir,

Adverting to the correspondence ending with your letter No. 10206, dated 23rd February 1939 re: the exemption of Co-operative Societies from the payment of income-tax and supertax on earnings from investments, I am directed to state that Government consider that it is not desirable to depart from the practice in British India in this matter and that the exemption proposed cannot be granted.

I have the honor to be,
Sir,
Your most obedient servant,

19-5-39

(Sft)
for Secretary to Government,
Local Self Govt. Department.

TRM.4